

BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of }
WELLINGTON OIL COMPANY, LTD. }

Appearances:

For Appellant: W. H. Teasley, Auditor; W. C. Shelton,
Assistant Secretary, of Appellant Corporation
For Respondent: Charles J. McColgan, Franchise Tax Commission

O P I N I O N

This is an appeal pursuant to Section 25 of the Bank and Corporation Franchise Tax Act (Chapter 13, Statutes of 1929, as amended) from the action of the Franchise Tax Commissioner in overruling the protest of Wellington Oil Company, Ltd., a corporation, to a proposed assessment of an additional tax in the amount of \$269.02 based upon the return of the above corporation for the taxable year ended December 31, 1931.

The only problem involved in this appeal relates to the proper classification for offset purposes under the Act of taxes paid locally by Appellant upon its pipelines, rigs and tanks and its possessory or leasehold interest in oil lands. The Appellant contends that these taxes should be regarded as taxes upon personal property and hence that the full amount of such taxes should be allowed as an offset up to seventy-five per cent of the tax imposed by the Act. The Commissioner, however, considered the above taxes as real property taxes and allowed but ten per cent of the amount thereof as an offset against Appellant's franchise tax.

A problem similar to the problem herein involved was present for our determination in the Appeal of Catalina View Oil Co. (decided by this Board on April 20, 1932). We there held that taxes paid locally upon mineral rights, derricks, engines, oil wells, tanks and boilers are to be regarded as taxes upon real property for offset purposes under the Act and that but ten per cent of the amount of such taxes should be allowed as an offset against the tax imposed by the Act.

In the Appeal of Barnsdall Oil Company of California (decided by this Board on February 11, 1933) we had occasion to examine carefully the question as to the proper classification of taxes paid locally upon possessory or leasehold interests in oil lands. We concluded that such interests are considered "real estate," as that term is defined in Section 3617 of the Political Code, for the purpose of local taxation, and that taxes paid upon such interests are "real property" taxes within the meaning of the Act.

Appeal of Wellington Oil Company, Ltd.

The above decisions, we think, control our determination in the instant appeal. Consequently, we hold that Appellant is entitled to offset-but ten per cent of the taxes paid locally upon its pipelines, rigs, tanks and possessory or leasehold interest in oil lands, against its franchise tax.

O R D E R

Pursuant to the views expressed in the opinion of the Board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the action of Chas. J. McColgan, Franchise Tax Commissioner, in overruling the protest of Wellington Oil Company, Ltd., against a proposed assessment of an additional tax in the amount of \$269.02 under Chapter 13, Statutes of 1929, as amended, be and the same is hereby sustained.

Done at Sacramento, California, this 26th day of May, 1933,
by the State Board of Equalization.

R. E. Collins, Chairman
H. G. Cattell, Member
Fred E. Stewart; Member
Jno. C. Corbett, Member

ATTEST: Dixwell L. Pierce, Secretary